

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION**

In re:	§	
	§	Chapter 11
	§	
CORE SCIENTIFIC, INC., et al.,	§	Case No. 22-90341 (DRJ)
	§	
Debtors.¹	§	(Jointly Administered)
	§	

**NOTICE OF FILING OF DEMONSTRATIVE TO BE USED BY THE DEBTORS
AT THE OCTOBER 2, 2023 HEARING AT 3:00 PM (CENTRAL TIME)**

PLEASE TAKE NOTICE THAT on September 15, 2023, the Debtors filed the *Emergency Motion for Order Approving (I) Global Settlement Between Debtors and Celsius, (II) Sale of Cedarvale Facility and Related Assets, (III) Entry Into Amended TNMP Contract and Assumption and Assignment of Transferred Contracts and (IV) Granting Related Relief* (Docket No. 1236), which is scheduled for hearing (the “**Hearing**”) on October 2, 2023 at 3:00 p.m. (prevailing Central Time) before the Honorable David R. Jones, United States Bankruptcy Judge for the Southern District of Texas, Houston Division.

PLEASE TAKE FURTHER NOTICE THAT the Debtors’ undersigned counsel will present a PowerPoint demonstrative, attached hereto as **Exhibit A**, to the Court and other interested parties at the Hearing.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are as follows: Core Scientific Mining LLC (6971); Core Scientific, Inc. (3837); Core Scientific Acquired Mining LLC (6074); Core Scientific Operating Company (5526); Radar Relay, Inc. (0496); Core Scientific Specialty Mining (Oklahoma) LLC (4327); American Property Acquisition, LLC (0825); Starboard Capital LLC (6677); RADAR LLC (5106); American Property Acquisitions I, LLC (9717); and American Property Acquisitions, VII, LLC (3198). The Debtors’ corporate headquarters and service address is 210 Barton Springs Road, Suite 300, Austin, Texas 78704.

Dated: October 2, 2023
Houston, Texas

Respectfully submitted,

/s/ Alfredo R. Pérez

WEIL, GOTSHAL & MANGES LLP

Alfredo R. Pérez (15776275)

Clifford Carlson (24090024)

700 Louisiana Street, Suite 1700

Houston, Texas 77002

Telephone: (713) 546-5000

Facsimile: (713) 224-9511

Email: Alfredo.Perez@weil.com

Clifford.Carlson@weil.com

-and-

WEIL, GOTSHAL & MANGES LLP

Ray C. Schrock (admitted *pro hac vice*)

Ronit J. Berkovich (admitted *pro hac vice*)

767 Fifth Avenue

New York, New York 10153

Telephone: (212) 310-8000

Facsimile: (212) 310-8007

Email: Ray.Schrock@weil.com

Ronit.Berkovich@weil.com

Attorneys for Debtors

and Debtors in Possession

Certificate of Service

I hereby certify that on October 2, 2023, a true and correct copy of the foregoing document was served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Alfredo R. Pérez
Alfredo R. Pérez

EXHIBIT A



Celsius Settlement Hearing
October 2, 2023

Weil

Opening Statement

- 1 Timeline of Celsius Settlement
- 2 Debtors' Business Relationship with Celsius
- 3 Disputes between Debtors and Celsius
- 4 Celsius Settlement
- 5 Overview of Purchased Assets
- 6 Approval of Celsius Settlement is Warranted

Timeline

Celsius – Confirmation Hearing	October 2, 2023
Core – Hearing to Approve the Celsius Settlement	October 2, 2023
Celsius – Hearing to Approve the Celsius Settlement	October 5, 2023
Targeted Closing Date of the Celsius Settlement	October 11, 2023 ¹

1. The Debtors' Exhibit and Witness List was filed at Docket No. 1272 and Supplemental Exhibit and Witness List was filed at Docket No. 1280.

Section 7(a) of the Purchase and Sale Agreement (the "**PSA**", Debtors' Exhibit No. 19, ECF No. 1272-21) provides that the closing shall take place on the date that is three (3) business days following the later to occur of the date on which the Debtors' proposed order for the Celsius Settlement has been entered and the date on which Celsius's proposed order for the Celsius Settlement has been entered and, in each case, any stay relating thereto has been lifted or expired.

Debtors' Business Relationship with Celsius

- Prior to the Debtors' chapter 11 filing, Celsius Mining LLC (collectively with certain of its affiliates, "**Celsius**") was one of the Debtors' major hosting customers, owning approximately 37,536 miners hosted by the Debtors (Debtors' Exhibit No. 6, ECF No. 1272-6)

- The Debtors provided hosting services to Celsius pursuant to the below agreements:
 - Master Services Agreement, December 18, 2020, including Orders Nos. 1, 2, 3, 4, 5, 6, 7, 9, and 10 thereof (the "**2020 MSA**") (Debtors' Exhibit No. 8, ECF Nos. 1272-8 & 1272-9)
 - Master Services Agreement, December 3, 2021, including Order No. 1A thereof (the "**2021 MSA**", and together with the 2020 MSA, the "**Celsius Contracts**") (Debtors' Exhibit No. 8, ECF Nos. 1272-8 & 1272-9)

- Pursuant to the Celsius Contracts, the Debtors passed through any power tariffs to Celsius (the "**PPT Charges**")
 - The unpaid PPT Charges invoiced to Celsius after Celsius filed for chapter 11 led to one of the primary disputes between the parties (Debtors' Exhibit No. 6, ECF No. 1272-6)

History of Disputes and Settlement with Celsius

Celsius Chapter 11	July 13, 2022	Celsius filed for chapter 11 in the U.S. Bankruptcy Court for the Southern District of New York
Celsius Motion to Enforced Automatic Stay	September 28, 2022	Celsius filed a motion in Celsius's chapter 11 cases to enforce the automatic stay and otherwise breached the 2020 MSA (Debtors' Exhibit No. 3, ECF No. 1272-3)
	October 19, 2022	The Debtors filed an objection (Debtors' Exhibit No. 4, ECF No. 1272-4) and also moved (i) to compel immediate payment of administrative expenses, and either (ii) (a) for relief from the automatic stay, or (b) to compel assumption or rejection of the Celsius Contracts (Debtors' Exhibit No. 5, ECF No. 1272-5)
Debtor's Chapter 11	December 21, 2022	The Debtors filed for chapter 11 in the U.S. Bankruptcy Court for the Southern District of Texas
Debtors' POC	January 3, 2023	The Debtors filed a proof of claim in Celsius's chapter 11 cases (Debtors' Exhibit No. 13, ECF No. 1272-15)
	February 9, 2023	The Debtors filed an amended proof of claim (Debtors' Exhibit No. 13, ECF No. 1272-15)
Debtors Rejected the Celsius Contracts	January 4, 2023	The Court granted the Debtors' motion to reject the Celsius Contracts (Debtors' Exhibit No. 7, ECF No. 1272-7)

History of Disputes and Settlement with Celsius

Celsius's POC and Debtors' Partial Summary Judgment Motion	April 14, 2023	Celsius filed proof of claims asserting purported breaches of the Celsius Contracts (Debtors' Exhibit No. 8, ECF Nos. 1272-8 & 1272-9)
	May 30, 2023	The Debtors filed an objection (Debtors' Exhibit No. 09, ECF No. 1272-10) and also moved for partial summary judgment (the " Summary Judgment Motion ") (Debtors' Exhibit No. 10, ECF Nos. 1272-11 & 1272-12)
	June 21, 2023	Celsius filed an objection to the Summary Judgment Motion (Debtors' Exhibit No. 28, ECF No. 1280-1)
Celsius's Administrative Claim	April 15, 2023	Celsius filed a motion directing immediate payment of its asserted administrative expense claim (Debtors' Exhibit No. 11, ECF No. 1272-13)
	May 5, 2023	The Debtors filed an objection (Debtors' Exhibit No. 12, ECF No. 1272-14)

History of Disputes and Settlement with Celsius

Request for Mediation and Settlement	June 16, 2023	Parties agreed to mediate the issues and disputes underlying the competing pleadings before the Honorable Marvin Isgur on July 11, 2023 (Debtors' Exhibit No. 14, ECF No. 1272-16)
	June 2023	Parties began exchanging numerous mark ups of the term sheet and later the PSA for the Celsius Settlement. (the Sullivan Declaration, Debtors' Exhibit No. 1, ECF No. 1272-1, para 10)
	June 30, 2023	Parties agreed to postpone the deadline for the Debtors to file reply in support of the Summary Judgment Motion and to adjourn the hearing for pending settlement negotiations (Debtors' Exhibit Nos. 15, 16, 17, & 18, ECF Nos. 1272-17, 1272-18, 1272-19, & 1272-20)
	September 14, 2023	Parties finalized the settlement agreement (i.e. the PSA) (Debtors' Exhibit No. 19, ECF No. 1272-21) Celsius filed the <i>Motion to Approve / Debtors' Motion for Entry of an Order (I) Approving the Settlement By and Among the Debtors and Core Scientific, (II) Authorizing Entry Into the Purchase and Sale Agreement, (III) Authorizing Intercompany Transfers with Celsius Mining, and (IV) Granting Related Relief</i> (Celsius Docket No. 3474) (Debtors' Exhibit No. 29, ECF No. 1280-2)
	September 15, 2023	The Debtors filed the <i>Emergency Motion / Debtors' Emergency Motion for Order Approving (I) Global Settlement Between Debtors and Celsius, (II) Sale of Cedarvale Facility and Related Assets, (III) Entry Into Amended TNMP Contract and Assumption and Assignment of Transferred Contracts and (IV) Granting Related Relief</i> (Docket No. 1236)

Celsius Settlement – Principle Terms

- Memorialized in the PSA (Debtors' Exhibit 19, ECF No. 1272-21)¹
- PSA purchase price: \$45mm
- Resolves all claims and disputes between the Debtors and Celsius except the Excluded Claims
- Subject to approval by both courts in the Debtors' and Celsius's chapter 11 cases

Value to the Debtors	Consideration Received by Celsius
<ul style="list-style-type: none"> • Full and final release of the Released Celsius Claims 	<ul style="list-style-type: none"> • Full and final release of the Released Core Claims
<ul style="list-style-type: none"> • \$14 million cash payment from Celsius 	<ul style="list-style-type: none"> • Sale of the Purchased Assets (e.g., the Cedarvale Facility and the Transferred Personal Property) free and clear²
<ul style="list-style-type: none"> • \$4-6 million of savings in litigation expenses 	<ul style="list-style-type: none"> • Perpetual, non-exclusive license to use the Licensed Materials

1. All subject to the conditions and terms further set forth in the PSA. Capitalized terms used but not otherwise defined herein have the meanings ascribed to such terms in the PSA.

2. In connection with the Celsius Settlement, the Debtors have also reached various settlements with the general contractors to release the materials' and mechanics' lien in the Purchased Assets asserted by them and their subcontractors (if applicable), including: Huband-Mantor Construction, Inc. (Debtors' Exhibit No. 24, ECF No. 1272-27), Trilogy LLC (Debtors' Exhibit No. 25, ECF No. 1272-28), Condair Inc. (Debtors' Exhibit No. 26, ECF No. 1272-29), Priority Power Management, LLC (Debtors' Exhibit No. 27, ECF No. 1272-30).

Celsius Settlement – Released Claims

POC #	Celsius Claim Type	Celsius Asserted Amount (\$mm)	Settled and Released	
425, 497	Prepetition Breach of MSA	\$112.0	Yes	Released Celsius Claims
	Postpetition (Pre-Rejection) Breach of MSA	\$1.5	Yes	
	MSA Rejection Damages	\$194.5	Yes	
	Postpetition Administrative Claim	\$4.7	Yes	
	Additional Unspecified and Unliquidated Amounts	Not Specified	Yes	
428, 434, 436, 439, 469, 494, 495, 496	Celsius Secured Convertible Note Claims	\$54.0	No	Excluded Claims

POC #	Core Claim Type	Core Asserted Amount (\$mm)	Settled and Released	
17273, 23022	Liquidated Amounts	\$3.8	Yes	Released Core Claims
	Unliquidated Amounts	>\$30.0	Yes	
	Postpetition Amounts	\$7.7	Yes	

Overview of Purchased Assets – the Cedarvale Facility



Overview of Purchased Assets – the Cedarvale Facility



Legal Standards under Rule 9019 and Sections 363, 365

Legal Standard for Settlement under Rule 9019

- Fair and equitable, in the best interest of the debtor's estate, and not beneath the "lowest point in the range of reasonableness"
- Product of good-faith, arm's-length bargaining

Legal Standard for Asset Sales under Section 363

- Reflects reasonable business judgment and has an articulated business justification
- Adequate and reasonable notice provided
- Good faith buyer
- Assets can be sold free and clear if any one of the elements of 363(f) are satisfied, including (among others):
 - parties holding an interest in the asset consent to the sale
 - parties' interest in the assets are in bona fide dispute

Legal Standard for Assumption and Assignment under Section 365

- Reflects reasonable business judgment and has an articulated business justification
- Any outstanding defaults must be cured
- Adequate assurance of assignee's future performance

Celsius Settlement Should be Approved under Rule 9019

- As set forth in the Sullivan Declaration, the benefits of the settlement substantially outweigh the costs. The benefits include:
 - Settlement of approximately \$312mm in claims against the estate, including \$4.7mm in administrative expense claims
 - Cost savings from litigation of approximately \$4-6mm (see the Sullivan Declaration, Debtors' Exhibit No.1, ECF No. 1272-1, para 8)
 - \$14mm of cash
- The consideration provided by the Debtors is limited:
 - Cedarvale Facility is not part of the Debtors' go-forward business plan and the Debtors were unsuccessful in their previous marketing process (see the Bros Declaration, Debtors' Exhibit No. 2, ECF No. 1272-2, para 8)
 - Value received under the Celsius Settlement is the highest and best use of the Purchased Assets (see the Sullivan Declaration, Debtors' Exhibit No.1, ECF No. 1272-1, para 9)
 - The Debtors' ability to succeed and recover on account of their claims against Celsius is uncertain (see id., para 8)
- The Celsius Settlement is the product of good-faith, arm's-length bargaining
 - More than 3 months of settlement negotiation (see id.)

Sale of Purchased Assets Satisfies Section 363

- As set forth in the Bros Declaration, selling the Purchased Assets as part of the Celsius Settlement reflects a sound exercise of the Debtors' business judgment
 - More value received than if sold to a third party
 - Evidenced by the Debtors' robust marketing process that lasted for months (see the Bros Declaration, Debtors' Exhibit No. 2, ECF No. 1272-2, para 6)
 - Cedarvale Facility has limited value to the Debtors and would require material capital expenditures to become fully operational (see id., para 5)
 - \$14mm of cash and release of substantial claims against the Debtors (see id., para 9)
- Granting the license to the Licensed Materials and entry into the Amended TNMP Contract are integral parts of the sale and settlement (see the Sullivan Declaration, Debtors' Exhibit No.1, ECF No. 1272-1, para 11)
- Sale of the Purchased Assets should be approved free and clear
 - Satisfies Bankruptcy Code section 363(f)
 - The Debtors provided adequate and reasonable notice on September 15, 2023 (see Certificate of Service, Debtors' Exhibit No. 21, ECF No. 1272-23)
 - Proposed in good faith and without collusion, and Celsius will be a "good faith buyer" (see the Sullivan Declaration, Debtors' Exhibit No.1, ECF No. 1272-1, para 10)

Assumption and Assignment Satisfies Section 365

- As set forth in the Sullivan Declaration, assumption and assignment of the Transferred Contracts are integral parts of the sale and settlement (see the Sullivan Declaration, Debtors' Exhibit No.1, ECF No. 1272-1, para 11)
- No cure costs are owed in connection with the assumption of the Transferred Contracts (see the Certificate of Service (Service Copy), Debtors' Exhibit No. 30, ECF No. 1280-3)
- Celsius will provide adequate assurance of its future performance by being responsible for performing all future obligations (see the PSA, Debtors' Exhibit No. 19, No. 1272-21, section 1(a)(ii))

Approval of the Celsius Settlement is Warranted

- For the foregoing reasons, the Debtors believe that the evidence will show that:
 - the Celsius Settlement is fair and equitable, in the best interest of the debtor's estate, and not beneath the "lowest point in the range of reasonableness," and it meets the standard for approval under Rule 9019
 - selling the Purchased Assets as part of the Celsius Settlement reflects a sound exercise of the Debtors' business judgment and should be approved free and clear under section 363
 - granting the license to the Licensed Materials and entry into the Amended TNMP Contract reflect a sound exercise of the Debtors' business judgment and should be approved under section 363
 - assumption and assignment of the Transferred Contracts reflects a sound exercise of the Debtors' business judgment and should be approved under section 365